

15-1150

STURGIS TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN
FINANCIAL STATEMENTS
MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Sturgis Township	County St. Joseph
Audit Date March 31, 2004	Opinion Date July 8, 2004	Date Accountant Report Submitted to State: July 12, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) NORMAN & PAULSEN, P.C.			
Street Address 127 W. Chicago Road	City Sturgis	State MI	ZIP 49091
Accountant Signature Michael R. Wilson CPA		Date Michael R. Wilson	

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and Members of the Township Board
Township of Sturgis
St. Joseph County, Michigan

Norman & Paulsen, P.C.

Certified Public Accountants

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We have audited the accompanying general purpose financial statements of Sturgis Township, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sturgis Township, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Sturgis Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

July 8, 2004

Norman & Paulsen, P.C.

STURGIS TOWNSHIP

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u> Agency and Expendable Trust
	<u>General</u>	
ASSETS		
Cash and cash equivalents	\$ 453,894	\$ 5,179
Due from other funds	4,202	-
Fixed assets	-	-
Total assets	<u>\$ 458,096</u>	<u>\$ 5,179</u>
LIABILITIES		
Accounts payable	\$ 6,170	\$ -
Due to other funds	-	4,202
Due to other governmental units	367	977
Total liabilities	6,537	5,179
FUND EQUITY		
Investment in general fixed assets	-	-
Fund balances		
Unreserved:		
Designated for fire truck	61,325	-
Undesignated	390,234	-
Total fund equity	<u>451,559</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 458,096</u>	<u>\$ 5,179</u>

See accompanying notes to financial statements

Account Group		Total Memorandum Only
General Fixed Assets		
\$ -	\$ 459,073	
-	4,202	
<u>10,837</u>	<u>10,837</u>	
<u>\$ 10,837</u>	<u>\$ 474,112</u>	

\$ -	\$ 6,170
-	4,202
-	<u>1,344</u>
-	11,716

10,837	10,837
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-	61,325
-	<u>390,234</u>

<u>10,837</u>	<u>462,396</u>
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<u>\$ 10,837</u>	<u>\$ 474,112</u>
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STURGIS TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	<u>General</u>
REVENUES	
State revenue sharing	\$ 163,520
Interest income	8,230
Trailer fees	882
Building permits	11,374
Miscellaneous	<u>8,420</u>
Total revenues	192,426
EXPENDITURES	
General government	103,924
Public safety	38,747
Public works	<u>13,479</u>
Total expenditures	<u>156,150</u>
Excess of revenues over expenditures	36,276
FUND BALANCE - BEGINNING	<u>415,283</u>
FUND BALANCE - ENDING	<u>\$ 451,559</u>

See accompanying notes to financial statements

STURGIS TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES			
State revenue sharing	\$ 165,000	\$ 163,520	\$ (1,480)
Interest income	12,000	8,230	(3,770)
Trailer fees	1,200	882	(318)
Building permits	8,800	11,374	2,574
Miscellaneous	8,163	8,420	257
Total revenues	195,163	192,426	(2,737)
EXPENDITURES			
General government	115,412	103,924	11,488
Public safety	47,000	38,747	8,253
Public works	45,650	13,479	32,171
Total expenditures	208,062	156,150	51,912
Excess (deficiency) of revenues over expenditures	(12,899)	36,276	49,175
FUND BALANCE - BEGINNING	415,283	415,283	-
FUND BALANCE - ENDING	\$ 402,384	\$ 451,559	\$ 49,175

See accompanying notes to financial statements

STURGIS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township was organized in the early 1800's and covers an area of approximately 26 square miles. The population of Sturgis Township is approximately 2,400.

The Township operates under a Board of Trustees consisting of a Supervisor, Treasurer, Clerk and two Trustees.

The services rendered to residents include fire protection, supervised elections, set zoning and building standards and enforce same, ambulance service and road maintenance.

The accounting policies of Sturgis Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of Sturgis Township contain all the Township funds, account groups and authorities that are controlled by or dependent on the Township's executive or legislative branches.

The Tri-Township Fire Association of Fawn River, Sherman and Sturgis Townships, by law, is not a separate entity, but a fund shared by the participating townships. The township boards have allowed the Association to report as a separate unit.

B. Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into the fund types and broad fund categories as follows:

STURGIS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Fund Accounting - Continued

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to account for assets held by the Township as an agent for other governments and other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

C. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include most intergovernmental revenues and charges for services. Licenses and permits, fines and forfeits and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

STURGIS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Budgetary Data

The 2003-2004 budget was adopted by the Township Board on March 03, 2003. All budgets are prepared on an annual basis covering the same period of the audit. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.

The budget is adopted on a total revenues and total expenditures basis. The budget is broken down by activity and each activity is further broken down by line item. Total expenditures for 2003-2004 were not in excess of total appropriations.

E. Assets, Liabilities and Fund Equity

1. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial revenues) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets purchased and used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost.

The General Fixed Asset Account Group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

STURGIS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Revenues and Expenditures

1. Accumulated Employee Benefits

The Township does not have any pension or retirement plan established for its employees. Also, it does not offer any vacation or sick time benefits. Hence, the Township's liability in these regards is zero.

2. Property Taxes

The Township does not levy any property taxes for the Township's operation. The Township does bill and collect taxes for the County and the school district within its jurisdiction. Collections and remittances of the County and school taxes are accounted for in the Tax Collection Agency Fund.

G. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

STURGIS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED MARCH 31, 2004

NOTE 2 - CASH AND CASH EQUIVALENTS

The Township's cash and cash equivalents at March 31, 2004, are composed of the following:

Checking	\$ 14,717
Savings	82,031
Certificates of deposit	<u>362,325</u>
Total	<u>\$ 459,073</u>

DEPOSITS - The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$467,321. Of that amount \$404,996 was covered by federal depository insurance coverage and \$62,325 was uninsured and uncollateralized.

NOTE 3 - CHANGES IN GENERAL FIXED ASSETS

	Balance 04-01-03	Additions	Deletions	Balance 03-31-04
Office equipment	<u>\$ 8,744</u>	<u>\$ 2,093</u>	<u>\$ -</u>	<u>\$ 10,837</u>

NOTE 4 - INDIVIDUAL FUND INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at March 31, 2004, are shown below:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 4,202	\$ -
Agency	-	3,202
Trust	-	<u>1,000</u>
Totals	<u>\$ 4,202</u>	<u>\$ 4,202</u>

STURGIS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED MARCH 31, 2004

NOTE 5 - NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Under the provisions of this GASB standard, which becomes effective for the Township's year ending March 31, 2005, the Township will use business type reporting activity (BTA). BTA reporting will require the Township to present management's discussion and analysis (MD&A) of financial results, a statement of net assets or a balance sheet, a statement of revenue, expenses and changes in net assets, a statement of cash flows, notes to the financial statements, and other required supplementary information. The required basic financial statements described above will be prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial information is not required for BTA reporting.

Financial reporting under GASB 34 will require reporting fund balance as net assets, reporting tax revenues as non-operating income, changing certain financial statement disclosure formats including the property and equipment, and long-term debt disclosures, and including the MD&A. Management has not yet determined the effect of the implementation of this statement on the Township's financial statements.

FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS

STURGIS TOWNSHIP

GENERAL FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash and cash equivalents	\$ 453,894
Due from other funds	<u>4,202</u>
Total assets	<u>\$ 458,096</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 6,170
Due to other governmental units	<u>367</u>
Total liabilities	6,537

Fund Balance

Unreserved:

Designated for fire truck	61,325
Undesignated	<u>390,234</u>

Total fund balance	<u>451,559</u>
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Total liabilities and fund balance	<u>\$ 458,096</u>
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STURGIS TOWNSHIP

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES			
State revenue sharing	\$ 165,000	\$ 163,520	\$ (1,480)
Trailer fees	1,200	882	(318)
Interest earned	12,000	8,230	(3,770)
Building permits	8,800	11,374	2,574
Miscellaneous	8,163	8,420	257
Total revenues	195,163	192,426	(2,737)
EXPENDITURES			
SUPERVISOR			
Salary	10,506	10,200	306
Office supplies	250	-	250
Communications	100	-	100
Transportation	100	-	100
Miscellaneous	150	-	150
Total Supervisor	11,106	10,200	906
CLERK			
Salary	10,506	10,200	306
Office supplies	1,500	241	1,259
Communications	50	-	50
Transportation	100	-	100
Miscellaneous	100	149	(49)
Deputy Clerk	1,000	342	658
Total Clerk	13,256	10,932	2,324
TREASURER			
Salary	12,000	12,000	-
Office supplies	1,000	2,065	(1,065)
Communications	50	-	50
Transportation	200	70	130
Miscellaneous	100	-	100
Deputy Treasurer	1,500	1,535	(35)
Total Treasurer	14,850	15,670	(820)

STURGIS TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Continued
YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance- Favorable (Unfavorable)
EXPENDITURES - Continued			
TOWNSHIP BOARD			
Assessing and supplies	17,000	13,834	3,166
Planning commission	5,000	3,270	1,730
Zoning admin. and supplies	9,000	6,070	2,930
Trustees	2,000	1,790	210
Zoning Board of Appeals	1,500	550	950
Board of Review	1,500	500	1,000
Building and electric inspector	10,000	10,558	(558)
Professional services	17,000	12,922	4,078
Printing and publishing	2,000	4,390	(2,390)
Newsletter	2,000	2,380	(380)
Supplies	1,000	443	557
Insurance	6,000	3,680	2,320
Utilities	3,000	2,888	112
Rent	7,200	7,200	-
Trash Pick-Up	1,000	1,380	(380)
Compost Site	4,000	-	4,000
Fire protection services	20,000	17,799	2,201
Capital outlay	5,000	2,093	2,907
Roads	40,000	11,625	28,375
Dues	4,000	2,854	1,146
Education	1,500	187	1,313
Elections	500	367	133
Light District #1	200	164	36
Support To Other Entities	1,000	600	400
Miscellaneous	1,000	7,440	(6,440)
FICA Township portion	6,000	4,054	1,946
Douglas Crossing Light System	450	310	140
Total Township Board	168,850	119,348	49,502
Total expenditures	208,062	156,150	51,912
Excess (deficiency) of revenues over expenditures	(12,899)	36,276	49,175
FUND BALANCE - BEGINNING	415,283	415,283	-
FUND BALANCE - ENDING	\$ 402,384	\$ 451,559	\$ 49,175

STURGIS TOWNSHIP
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

	<u>Agency</u>	<u>Expendable Trust</u>	<u>Totals</u>
ASSETS			
Cash	\$ 4,179	\$ 1,000	\$ 5,179
LIABILITIES			
Due to other funds	\$ 3,202	\$ 1,000	\$ 4,202
Due to other governmental units	977	-	977
Total liabilities	\$ 4,179	\$ 1,000	\$ 5,179

STURGIS TOWNSHIP
TAX COLLECTION FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash	\$ <u>4,179</u>
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LIABILITIES

Due to General Fund	\$ 3,202
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Due to other governmental units	<u>977</u>
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Total liabilities	\$ <u>4,179</u>
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STURGIS TOWNSHIP
TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2004

	<u>Balance</u> <u>04-01-03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03-31-04</u>
ASSETS				
Cash	<u>\$ 2,271</u>	<u>\$1,366,068</u>	<u>\$1,364,160</u>	<u>\$ 4,179</u>
LIABILITIES				
Due to General Fund	\$ 2,271	\$ 1,099	\$ 168	\$ 3,202
Due to other governmental units	<u>-</u>	<u>1,364,969</u>	<u>1,363,992</u>	<u>977</u>
Total liabilities	<u>\$ 2,271</u>	<u>\$1,366,068</u>	<u>\$1,364,160</u>	<u>\$ 4,179</u>

STURGIS TOWNSHIP
DISASTER CONTINGENCY FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Restricted asset	\$ <u>1,000</u>
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LIABILITIES

Due to General Fund	\$ <u>1,000</u>
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STURGIS TOWNSHIP

SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCES
MARCH 31, 2004

General Fixed Assets:

Office equipment	<u>\$ 10,837</u>
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Investment in General Fixed Assets From:

General Fund	<u>\$ 10,837</u>
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